

# FIRST NATIONAL STORES

## *Annual Report*

FOR THE YEAR ENDING APRIL 2

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1955

# FIRST NATIONAL STORES INC.

## Officers

ADRIAN O'KEEFFE, *President*

RALPH F. BURKARD, *Treasurer*

BYRON M. FLEMMING, *Vice-President*

JOHN L. MACNEIL, *Vice-President*

EDMUND J. MURPHY, *Vice-President*

JOHN E. ELWELL, *Clerk*

## Directors

RALPH F. BURKARD

JOHN L. MACNEIL

BYRON M. FLEMMING

EDMUND J. MURPHY

SAMUEL JOSELOFF

JAMES J. O'HARE

DANIEL J. LYNE

ADRIAN O'KEEFFE

BERNARD M. O'KEEFFE

## Executive Committee

RALPH F. BURKARD

JOHN L. MACNEIL

ADRIAN O'KEEFFE

Somerville, Massachusetts, June 3, 1955.

**To the Stockholders of  
First National Stores Inc.:**

Sales for the 53-week fiscal year ending April 2, 1955 amounted to \$470,628,572, an increase of \$28,448,407 (6.4%) over the sales of \$442,180,165 for the prior 52-week fiscal year. Food prices at retail averaged about the same as for the prior year, and after adjusting sales to a 52-week basis, tonnage sales show an increase of approximately 4.5%.

Earnings increased over the previous year and amounted to \$7,968,619, or \$4.86 per share, as compared with \$4.17 for the previous fiscal year. The Lifo inventory adjustment increased earnings 29¢ per share, in contrast to a reduction in earnings of 5¢ per share in the prior year.

Dividends totaling \$2.40 per share for the year were paid on the common stock outstanding — four quarterly dividends of 50¢ per share and a special year-end dividend of 40¢ per share.

A condensed summary of our operations follows:

	<i>For the Fiscal Year Ending</i>	
	<i>April 2, 1955</i>	<i>March 27, 1954</i>
	<i>(53 weeks)</i>	<i>(52 weeks)</i>
Retail stores sales . . . . .	\$470,628,572	\$442,180,165
Net earnings after taxes . . . . .	\$ 7,968,619	\$ 6,830,629
Per share of common stock —		
After taxes and before Lifo adjustment . . . . .	\$4.57	\$4.22
Lifo inventory adjustment . . . . .	<u>+.29</u>	<u>— .05</u>
Total . . . . .	<u>\$4.86</u>	<u>\$4.17</u>
Net working capital (current assets less current liabilities) . . . . .	\$ 15,336,446	\$ 13,648,948
Fixed or property assets (less depreciation) . . . . .	35,931,588	33,709,774
Stockholders' equity (net worth) . . . . .	55,729,931	51,690,443
Earnings employed in the business (appropriated and unappropriated) . . . . .	48,993,652	44,954,164

On the center pages are graphic charts showing the results of our operations for the past twenty-nine years. The per share earnings chart gives effect, for all years, to the 2 for 1 stock split in 1951.

Working capital again showed an increase and amounted to \$15,336,446 at the year-end as compared with \$13,648,948 at the close of the prior fiscal year. Net worth increased \$4,039,488 during the year, and at the close of the year amounted to \$55,729,931. Capital expenditures amounted to \$8,073,000 and the funds were provided by depreciation reserves and retained earnings. There were no bank loans outstanding at April 2, 1955. Our financial condition continues strong.

In accordance with the Internal Revenue Code of 1954, approximately \$290,000 of the \$1,215,000 of accelerated depreciation shown on our statement of earnings is deductible for tax purposes, and the tax saving thereon, included in our reported earnings, is equivalent to 9¢ per share of our stock.

Again we have had an increase in our direct taxes which amounted to \$13,285,438 for the fiscal year — equal to \$8.11 for each share of stock and to 62% of earnings before taxes.

During the past fiscal year we opened 13 new super-markets and in 40 others major remodellings or enlargements were completed. Our super-markets are continuously being kept abreast of the modern trend in food merchandising, as evidenced by the fact that within the past five years two out of three of our existing super-markets have been opened as new stores or have been completely remodelled or enlarged.

Substantial capital expenditures are planned for the coming year. An addition to our headquarters plant at Somerville, Massachusetts, is under construction which, during the present year, will provide much needed office space for our operating and administrative functions. New super-markets, remodellings and enlargements of existing stores are scheduled. We are continuing our policy of selective participation in suburban shopping centers in desirable locations.

In the foreseeable future there will be little slackening in the pace of development and modernization necessary to meet constantly changing conditions. Shifting centers of population, new forms of food processing, ever improving methods of merchandising require constant reappraisal and improvement of existing store facilities and construction of new outlets. All super-market sites are being selected to accommodate the mobility of the shopper, and parking areas are planned for greatly increased capacity.

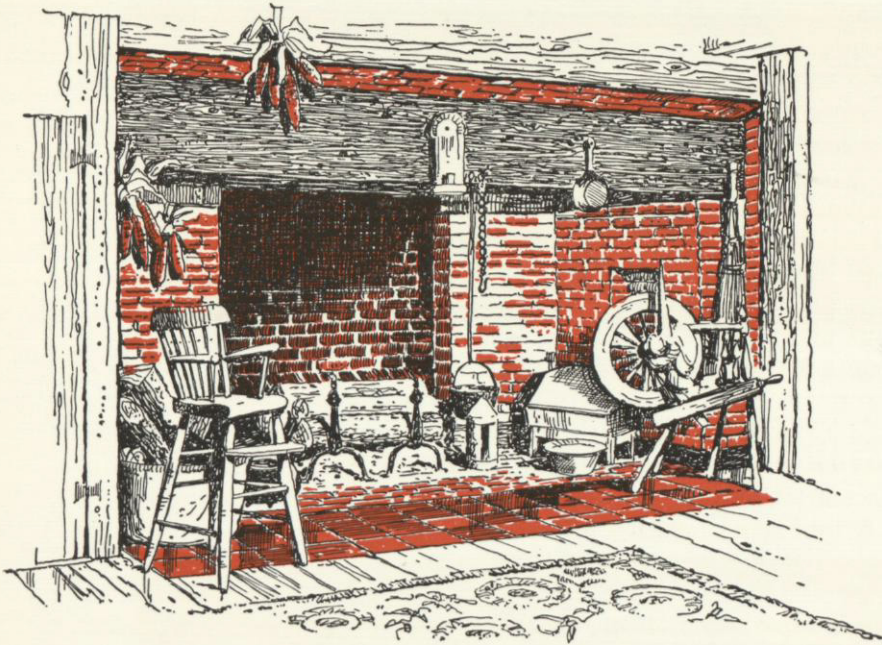
The competitive situation is keen in food retailing and the search for better methods of distribution is being carried on unrelentingly. This year, as in past years, improved techniques in warehousing, transportation and selling of merchandise were adopted.

At this time we express our appreciation of the effective efforts of the entire organization in helping First National Stores serve the public better.

ADRIAN O'KEEFFE,  
*President*

### Annual Meeting — Proxies

A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your company considerable time and expense.



The old colonial fireplace was designed primarily to serve human needs. It furnished warmth and comfort. It cooked food and boiled water.

Today, in many a New England home, though less used, it is a graceful reminder that whatever is built to serve well can also be beautiful.

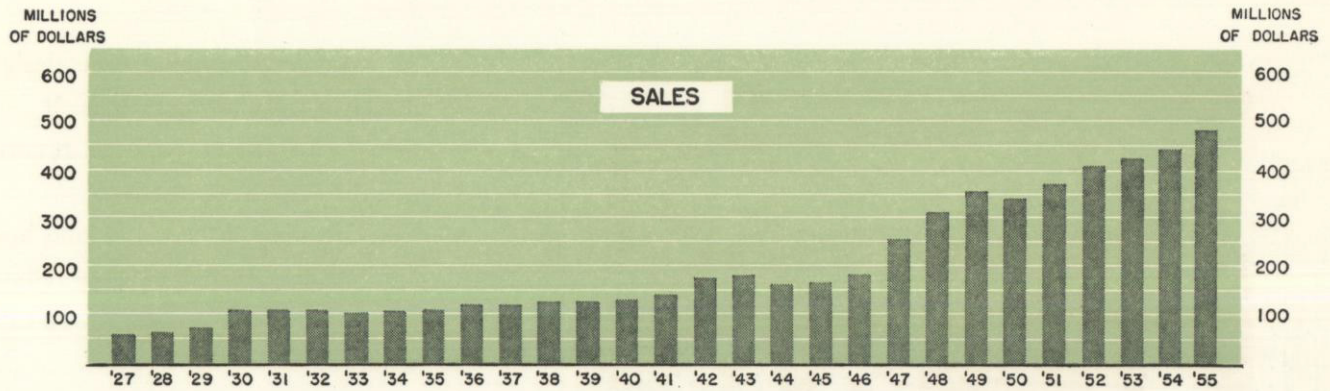
It is our earnest intent to have our stores reflect this principle. Our newest stores are designed to serve every conceivable food need — today and in the future — quickly, easily and pleasantly. By so serving, we hope our customers regard our stores as attractive additions to the communities they serve.

**good things are built to serve . . . In any age**

Our long-range building program includes both complete modernization of existing facilities to give better service in established shopping areas and construction of new stores in areas where population growth and expansion have created new markets.

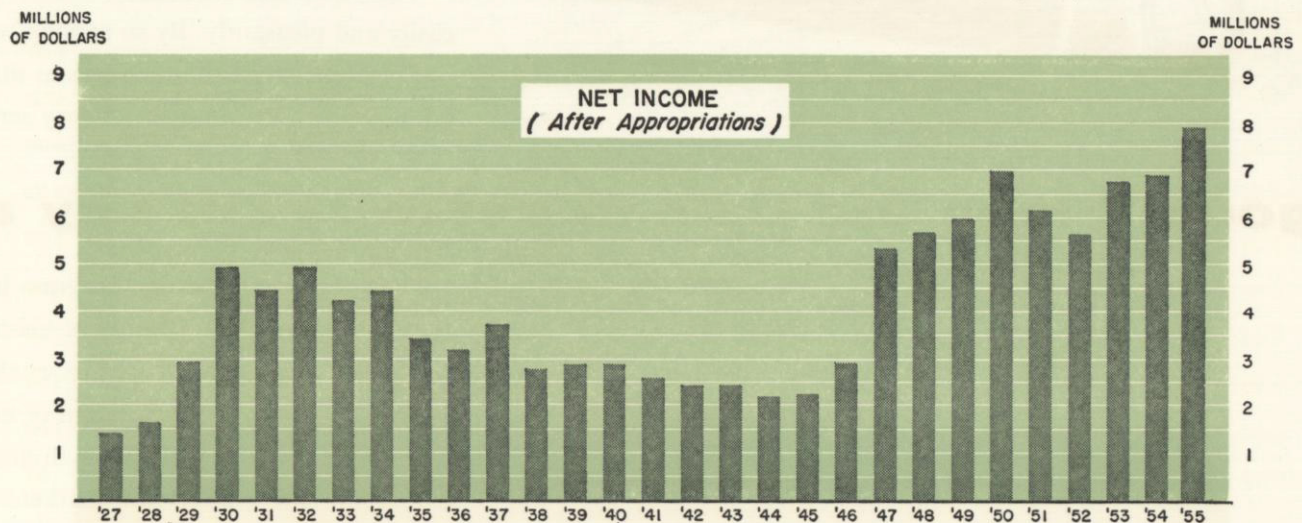
Locations are carefully chosen to provide easy access and ample parking facilities.





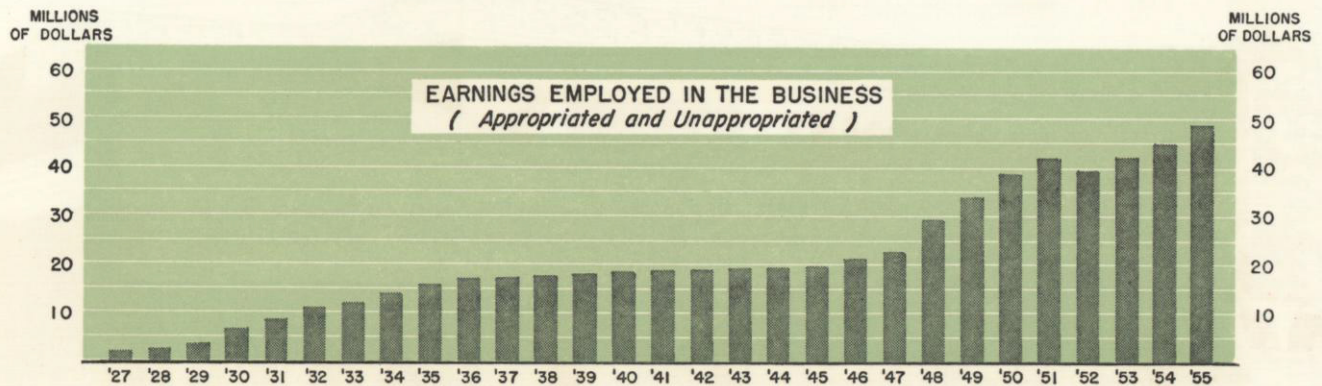
*Retail Stores Sales — Fiscal Years*

1927	\$59,038,304	1932	\$107,634,383	1937	\$120,682,961	1942	\$174,378,932	1947	\$256,506,910	1952	\$406,773,153
1928	64,445,962	1933	100,892,947	1938	124,294,617	1943	187,839,592	1948	315,915,554	1953	424,521,672
1929	75,884,639	1934	105,812,781	1939	124,222,955	1944	164,924,978	1949	354,444,614	1954	442,180,165
1930	107,635,216	1935	111,323,463	1940	131,041,157	1945	170,236,678	1950	344,171,022	1955	470,628,572
1931	108,196,686	1936	119,575,417	1941	142,680,921	1946	182,131,241	1951	371,853,140		



*Net Income — Fiscal Years*

1927	\$1,492,193	1932	\$4,825,611	1937	\$3,647,001	1942	\$2,380,294	1947	\$5,357,235	1952	\$5,571,415
1928	1,593,358	1933	4,220,099	1938	2,705,191	1943	2,465,079	1948	5,629,705	1953	6,742,051
1929	2,904,884	1934	4,394,830	1939	2,774,366	1944	2,235,104	1949	5,905,880	1954	6,830,629
1930	4,773,446	1935	3,433,504	1940	2,739,074	1945	2,294,604	1950	6,997,980	1955	7,968,619
1931	4,479,108	1936	3,163,329	1941	2,508,719	1946	2,885,555	1951	6,134,530		



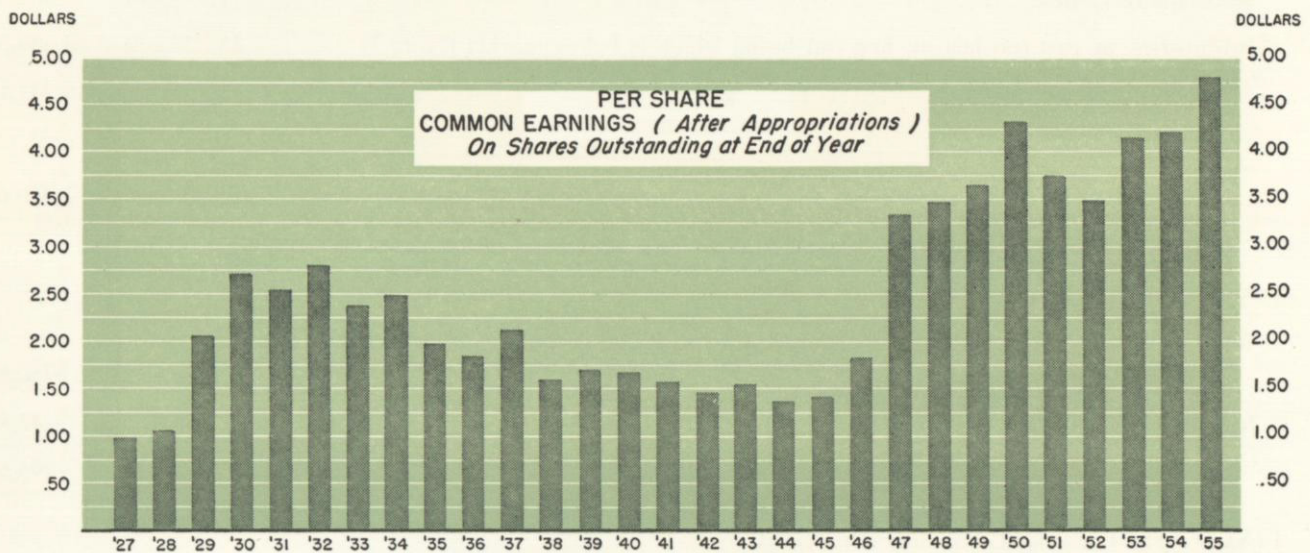
*Earnings Employed in the Business — Fiscal Years*

1927	\$1,996,375	1932	\$10,816,321	1937	\$16,670,118	1942	\$18,889,476	1947	\$23,235,669	1952	\$39,604,479
1928	2,238,303	1933	12,666,672	1938	16,688,036	1943	19,308,135	1948	29,189,624	1953	41,807,095
1929	3,987,782	1934	14,213,494	1939	17,423,131	1944	19,496,819	1949	34,350,171	1954	44,954,164
1930	6,369,726	1935	15,121,448	1940	18,112,565	1945	19,745,003	1950	38,483,159	1955	48,993,652
1931	8,371,910	1936	16,062,827	1941	18,572,964	1946	20,334,138	1951	41,752,697		



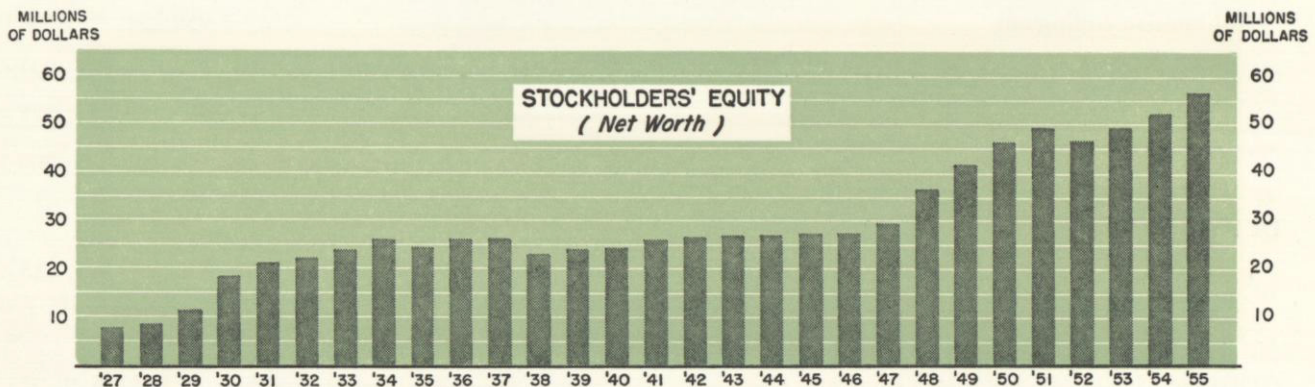
Stores — Fiscal Years

1927	1681	1932	2546	1937	2473	1942	1748	1947	1201	1952	922
1928	1717	1933	2705	1938	2350	1943	1585	1948	1150	1953	847
1929	2002	1934	2653	1939	2244	1944	1463	1949	1083	1954	761
1930	2549	1935	2623	1940	2137	1945	1340	1950	1033	1955	702
1931	2548	1936	2556	1941	1923	1946	1236	1951	979		



Per Share Common — Fiscal Years

1927	\$0.96	1932	\$2.76	1937	\$2.12	1942	\$1.45	1947	\$3.27	1952	\$3.40
1928	1.04	1933	2.39	1938	1.57	1943	1.51	1948	3.43	1953	4.11
1929	2.04	1934	2.48	1939	1.69	1944	1.36	1949	3.61	1954	4.17
1930	2.69	1935	1.95	1940	1.67	1945	1.40	1950	4.27	1955	4.88
1931	2.52	1936	1.82	1941	1.53	1946	1.76	1951	3.74		



Stockholders' Equity — Fiscal Years

1927	\$8,723,782	1932	\$22,793,743	1937	\$26,369,140	1942	\$25,625,755	1947	\$29,971,948	1952	\$46,340,758
1928	8,965,710	1933	24,644,049	1938	23,746,089	1943	26,044,414	1948	35,925,903	1953	48,543,374
1929	11,724,410	1934	26,190,916	1939	24,216,168	1944	26,233,098	1949	41,086,450	1954	51,690,443
1930	18,347,148	1935	24,820,470	1940	24,874,883	1945	26,481,282	1950	45,219,438	1955	55,729,931
1931	20,349,333	1936	25,761,849	1941	25,293,286	1946	27,070,417	1951	48,488,976		

# FIRST NATIONAL STORES INC.

## Balance Sheet

### ASSETS

	<u>APRIL 2, 1955</u>	<u>MARCH 27, 1954</u>
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$15,737,849	\$14,350,818
Accounts receivable . . . . .	1,193,196	905,008
Inventories, at cost (on last in, first out basis) which is below market (Note 1) . . . . .	25,225,209	23,687,338
Total current assets . . . . .	<u>\$42,156,254</u>	<u>\$38,943,164</u>
CLAIMS FOR REFUNDS OF FEDERAL TAXES ON INCOME (Note 1) . . . . .	<u>\$ 2,950,000</u>	<u>\$ 2,950,000</u>
<b>INVESTMENTS AND ADVANCES, ETC.:</b>		
Wholly-owned subsidiary companies — at cost (represented by underlying net assets of \$1,007,980 in 1955 and \$979,137 in 1954) . . . . .	\$ 250,833	\$ 250,833
Miscellaneous . . . . .	42,416	42,827
	<u>\$ 293,249</u>	<u>\$ 293,660</u>
<b>FIXED ASSETS, at cost, less fully-depreciated assets:</b>		
Land . . . . .	\$ 4,250,550	\$ 4,017,340
Buildings owned . . . . .	22,017,570	20,470,784
Store fixtures, leased property improvements, machinery and equipment . . . . .	33,052,062	29,056,576
Automotive equipment . . . . .	1,959,334	1,546,971
	<u>\$61,279,516</u>	<u>\$55,091,671</u>
<i>Less — Depreciation</i> . . . . .	25,347,928	21,381,897
	<u>\$35,931,588</u>	<u>\$33,709,774</u>
<b>DEFERRED CHARGES:</b>		
Prepaid insurance, deferred local taxes, supplies, etc. . . . .	<u>\$ 2,152,548</u>	<u>\$ 2,140,994</u>
GOODWILL . . . . .	<u>\$ 1</u>	<u>\$ 1</u>
	<u>\$83,483,640</u>	<u>\$78,037,593</u>



# FIRST NATIONAL STORES INC.

## Balance Sheet

### LIABILITIES

	<u>APRIL 2,</u> 1955	<u>MARCH 27,</u> 1954
<b>CURRENT LIABILITIES:</b>		
Accounts payable . . . . .	\$11,459,778	\$10,444,226
Owing to subsidiary companies . . . . .	219,536	150,371
Accrued local and state taxes and other expenses . . . . .	5,046,619	4,755,725
Federal taxes on income . . . . .	10,093,875	9,943,894
Total current liabilities . . . . .	<u>\$26,819,808</u>	<u>\$25,294,216</u>
 <b>RESERVES:</b>		
For past service costs under retirement annuity plan . . . . .	\$ 769,351	\$ 931,603
Miscellaneous operating reserves . . . . .	164,550	121,331
	<u>\$ 933,901</u>	<u>\$ 1,052,934</u>
 <b>STOCKHOLDERS' EQUITY:</b>		
Common stock:		
Authorized — 2,000,000 shares without par value		
Issued — 1,655,268 shares . . . . .	\$ 6,977,422	\$ 6,977,422
Earnings employed in the business:		
Appropriated for contingencies . . . . .	\$ 744,258	\$ 744,258
Unappropriated, per accompanying statement . . . . .	48,249,394	44,209,906
	<u>\$48,993,652</u>	<u>\$44,954,164</u>
Together . . . . .	\$55,971,074	\$51,931,586
<i>Deduct</i> — Common stock held in treasury — 18,114 shares, at reduced amount carried on books . . . . .	241,143	241,143
Total stockholders' equity . . . . .	<u>\$55,729,931</u>	<u>\$51,690,443</u>
	<u>\$83,483,640</u>	<u>\$78,037,593</u>

### Accountants' Opinion

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.

In our opinion, the accompanying balance sheet and the related statements of earnings and unappropriated earnings employed in the business, with the notes thereto, present fairly the financial position of First National Stores Inc. at April 2, 1955 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such financial statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Boston, Massachusetts  
May 20, 1955

# FIRST NATIONAL STORES INC.

## Statement of Earnings

	FISCAL YEAR ENDED APRIL 2, 1955 (53 weeks)	FISCAL YEAR ENDED MARCH 27, 1954 (52 weeks)
Sales and revenues:		
Retail stores sales . . . . .	\$470,628,572	\$442,180,165
Dividends received from subsidiary companies (Note 2) . . . . .	46,500	44,500
Other income . . . . .	701	851
	<u>\$470,675,773</u>	<u>\$442,225,516</u>
Costs and expenses:		
Cost of sales, expenses, etc. (exclusive of depreciation) . . . . .	\$447,660,360	\$421,383,079
Provision for depreciation of fixed assets (including accelerated depreciation of \$1,215,207 in 1955 and \$953,880 in 1954) . . . . .	5,409,860	4,733,651
Interest expense . . . . .	71,878	84,875
Net loss on disposal of fixed assets . . . . .	85,056	23,282
Provision for federal taxes on income (in 1954, including excess profits tax of \$650,000) . . . . .	9,480,000	9,170,000
	<u>\$462,707,154</u>	<u>\$435,394,887</u>
Net earnings for the year . . . . .	<u>\$ 7,968,619</u>	<u>\$ 6,830,629</u>

## Statement of Unappropriated Earnings Employed in the Business

FOR THE FISCAL YEAR ENDED APRIL 2, 1955

Balance, March 27, 1954 . . . . .	\$44,209,906
Net earnings for the fiscal year ended April 2, 1955 — per accompanying statement . . . . .	7,968,619
	<u>\$52,178,525</u>
Cash dividends paid — \$2.40 per share . . . . .	3,929,131
Balance, April 2, 1955 . . . . .	<u>\$48,249,394</u>

### Notes to Financial Statements

NOTE 1 — The use and method of application of the last in, first out method of inventory valuation for each fiscal year since its adoption in 1941 are subject to review and acceptance by the Internal Revenue Service. As a result of amendments in the method of application the company has claims for refund of federal income taxes which amount to approximately \$6,000,000 including \$1,900,000 in respect of the excess cost of replacement of inventories involuntarily liquidated. Because of uncertainties involved, no upward adjustment has been made in the amount of \$2,950,000 recorded on the books for these claims up to 1951.

NOTE 2 — The net earnings of the subsidiary companies (all wholly owned and not consolidated) aggregated \$75,343 during the fiscal year ended April 2, 1955 and \$78,128 during the previous year.

NOTE 3 — The company has adopted for income tax purposes the sum of the years-digits method of computing depreciation on fixed asset additions made subsequent to March 27, 1954, as permitted under the 1954 Internal Revenue Code. The federal tax provision for the 1955 fiscal year computed on this basis is approximately \$150,000 less, and the reported net earnings \$150,000 more, than would have been the case except for this change. Depreciation charges included in the 1955 statement of earnings have been computed on the same basis as heretofore.

NOTE 4 — At April 2, 1955 the company was obligated under 214 leases expiring after April 2, 1958. The aggregate of the minimum annual rentals under these leases is \$1,972,609 and the aggregate amount charged against operations for the fiscal year ending April 2, 1955 under all leases was \$3,227,360.

*Geographical Distribution of*  
702  
**FIRST NATIONAL STORES**





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